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October 21, 2008

AGENDA ITEM 3

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. SUBJECT:** Procedures for Board's Award of CalPERS Contracts
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** Information only
- IV. ANALYSIS:**

At the September 16, 2008, Benefits and Program Administration Committee (BPAC) meeting, Office of Governmental Affairs (GOVA) requested authority to conduct a Request for Proposal (RFP) for federal legislative representative services. The Board's action on the GOVA item included a decision by the Board to make an exception to the Board's RFP scoring policy for the GOVA RFP such that only the top four bidders would be scored, and the incremental score difference between bidders would only be 100 points. Additionally, the Committee Chair directed staff to present a review of the existing policy used by the Board of Administration (Board) in scoring RFP's at the October BPAC meeting.

Existing Policy

On November 19, 2003, the Board adopted the current policy "Procedures for Board's Award of CalPERS Contracts". The policy states "that each time the Board approves an individual contract solicitation, it also (1) sets the maximum point allocations for scoring by staff and by the Board, and (2) designates "Method B" for the apportionment method, for the Board's interview points for the contract" (see Attachment 1, page 4). Method B provides:

The RFP would specify the total available points to be awarded by the Board, and the maximum number of points would be awarded to the Board's highest ranked bidder, and the remaining bidders would receive points proportionate to their ranking, the incremental difference between bidders to be determined by dividing the number of points by the number of finalists. The Board, by motion, would determine the rank of the bidders. For example, under this method, if 400 points were to be awarded by the Board and there were four finalists, the first-ranked finalist would receive 400 points, the second-ranked finalist would receive 300 points, the third-ranked finalist would receive 200 points, and the fourth-ranked finalist would receive 100 points. The contract would be awarded to the bidder receiving the highest total points. The Board's second choice would be the bidder with the second-highest total.

The current policy has the potential to dilute the effect of the Board's participation in the selection process if a high number of finalists are scored. In contrast, if there are a small number of finalists, the current policy has the potential to increase the Board's influence because the incremental difference between the interview scores would be greater. An illustration of the effect the number of finalists has on the outcome of the selection process is included in Attachment 2.

Discussion

There are numerous options the Board can consider for modification of the existing policy if desired:

- The policy could remain unchanged, and if the Board desires changes on a specific RFP, the Board could make those changes on a case-by-case basis.
- The policy could be revised so that only the top competitors (e.g., four) are scored by the Board, which is consistent.
- The policy could be revised to use a consistent incremental reduction (e.g., 100 point reduction between finalists) that is not dependent upon the number of finalists.
- The policy could be revised in some other way, per direction from the Committee.

Should the Committee be interested in exploring these or other alternatives, staff will bring back revised policy suggestions or changes consistent with the Committee's direction for approval at a subsequent meeting.

Members of the Benefits and Program Administration Committee
October 21, 2008

V. STRATEGIC PLAN:

This item is not a specific product of the strategic plan, but is the result of a special request by the Benefits and Program Administration Committee.

VI. RESULTS/COSTS:

This is an information item and does not result in any costs.

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JOHN HIBER
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Attachments